



**MINUTES FROM MEETING OF
THE DEFERRED COMPENSATION COUNCIL
March 30, 2016**

A meeting of the Deferred Compensation Council (the "Council") was held March 30, 2016 at 9:00 AM in the Conference Room of the Office of the State Treasurer ("OST")
Located at 820 Silver Lake Blvd., Suite 100, Dover, DE 19904

All Board Members Represented or in Attendance:

The Honorable Ken Simpler, State Treasurer
Ms. Valerie M. Watson (on behalf of Secretary Thomas J. Cook, Department of Finance)
Mr. Charles Campbell-King, State Employee Member At-Large
Mr. Robert Scoglietti (on behalf of Director Ann Visalli, Office of Management & Budget)
Ms. Rhonda West (on behalf of The Honorable Karen Stewart, Insurance Commissioner)

Board Members Not in Attendance:

Mr. Ralph Cetrulo, Public Member At-Large

Others in Attendance:

Ms. Ann Marie Johnson, Deputy Attorney General
Ms. Nora Gonzalez, Deputy State Treasurer, Office of the State Treasurer
Mr. Dan Kimmel, Financial Investment Program Specialist, Office of the State Treasurer
Ms. Martha Sturtevant, Office of the State Treasurer
Ms. Shayla Moses, Office of the State Treasurer
Mr. Michael Sanders, Principal, Cammack Retirement Group
Ms. Emily Wrightson, Consultant, Cammack Retirement Group
Mr. Jeff Snyder, Senior Consultant, Cammack Retirement Group
Ms. Rebecca Kidner, RB Kidner, PA representing Valic
Mr. Raymond Reeves, Vice President of Business Development, Valic
Ms. Kasi Boyles, VOYA Financial

CALLED TO ORDER

Mr. Simpler called the meeting to order at 09:04 AM.

APPROVAL OF MINUTES

A MOTION was made by Ms. Watson and seconded by Mr. Campbell-King to approve the minutes from November 23, 2015.

MOTION ADOPTED UNANIMOUSLY

DISCUSSION OF SENATE CONCURRENT RESOLUTION NO. 55

The Council discussed the Senate Concurrent Resolution No. 55 (“SCR-55”) brought to the floor of the Senate on March 22, 2016.¹ Mr. Simpler stated he had spoken extensively with the sponsors of the legislation and he elaborated on the continuing miscommunication as it pertains to costs, choice, relationships and competition. Ms. Johnson suggested the Council address the Resolution, line-by-line and collectively respond to each one of the Whereas Clauses. The Council agreed.

Lines 1-2: Mr. Kimmel clarified that SCR-55 is written in reference to the 403(b) Plan which pertains only to educators, yet the language is inclusive of the 457(b) Plan, also called the Deferred Compensation Plan, which applies to all state employees.

Lines 3-4: Ms. Gonzalez stated that SRC-55 refers to 15 active vendors, where there are only 13 active vendors, 1 grandfathered vendor and 1 inactive vendor.

Line 9: Ms. Gonzalez clarified there were 102 active vendors operating individualized plans prior to the release of the 2007 IRS final regulations which demanded greater scrutiny over 403(b) plans. These regulations affected participants, beneficiaries, plan sponsors and administrators. Delaware created a statewide run Plan and consolidated the administration under a unique plan document that became effective in 2009.

Line 10-11: Ms. Gonzalez stated that cost reduction was not the only goal of the RFP and that the Council considered potentially having a structure with more than 3 vendors if such a structure could deliver better outcomes. Mr. Campbell-King clarified that any cost reduction would be experienced by the existing participants, not by the state of Delaware. Mr. Simpler added that a potential consolidation resulting in a lower cost structure and improved returns will incentivize participation, and a more efficient allocation of OST resources which would allow undertaking education and outreach initiatives. He also added that fees charged to the participant will be more transparent and no longer obscured by being deducted from investment returns.

Lines 20-21: The Council unanimously disagrees. Mr. Campbell-King stated that the research performed by Cammack shows that the three states referenced are not comparable to Delaware and furthermore, in addition to the advice from the Council’s consultant, the RFP committee conducted their own research which allow to gain better understanding of the implications of a potential consolidation in Delaware.

Line 24-27: Mr. Campbell-King noted the independent outreach to other jurisdictions and sponsors of public deferred compensation programs around the country in order to better understand their experiences with plan consolidations.

Ms. Johnson added that consolidations nationwide are in response to changes by the IRS and have been driven by federal regulations.

Mr. Simpler asked Cammack to provide their observations regarding the process. Mr. Sanders said the Council has done more research, more work, and double checked ever comment and advice provided by Cammack. He stated that the process has taken longer than most because it has been thorough and thoughtful. He also added that there were many more opportunities for the public to engage than Cammack had seen being offered by any other client with whom they have worked. Mr. Sanders added that the process has been impressive.

¹ [http://legis.delaware.gov/LIS/lis148.nsf/vwLegislation/SCR+55/\\$file/legis.html?open](http://legis.delaware.gov/LIS/lis148.nsf/vwLegislation/SCR+55/$file/legis.html?open)

Mr. Campbell-King wanted to note for the record that the goal is to deliver a structure to prepare all state employees to retire with dignity. He stated that the outreach by the Council has determined that most state employees do not understand the benefits of participating in a Deferred Compensation Plan. Mr. Campbell-King stated that the Council did not have a preconceived notion prior to issuing the RFP and rather decided to use the process as a learning opportunity aimed to help existing and prospective participants in Delaware. Mr. Simpler added that the Council procured a consultant to help with the research and provide recommendations.

Mr. Scoglietti stated that he was present for the debate on the floor of the Senate. He added that it was not a unanimous agreement. Mr. Simpler said that there was no notice to OST or the Council, and any debate was spontaneous and no time was given for preparation. Mr. Simpler added the Council has been thoughtful about maintaining the dialogue and addressing the concerns of the legislators.

NEW BUSINESS

Mr. Simpler noted the upcoming joint meeting of DCIP/DCC on April 4th. He recognized Karen Lantz as the resource supporting OST to prepare the language to be included in the legislation required for the board merger. He stated a draft of the statute would be distributed to the Council and asked the Council to review and provide feedback.

PUBLIC COMMENTS

Kasi Boyles, representing Voya Financial, stated for the record that she appreciated the thorough process and stated it was the first time she had seen RFP finalists being asked to present and clarify arguments for both scenarios.

Mr. Simpler stated he wanted to review the status of the RFP and recommended the Council move into Executive Session to discuss.

EXECUTIVE SESSION

A MOTION was made by Mr. Campbell-King and seconded by Mr. Scoglietti to enter into Executive Session at 9:53 AM to discuss the current RFP.

MOTION ADOPTED UNANIMOUSLY

CALLED TO ORDER

Mr. Simpler called the public meeting back to order at 11:29 AM.

ADJOURNMENT

A MOTION was made by Mr. Scoglietti and seconded by Mr. Campbell-King to adjourn at 11:30 AM.

MOTION ADOPTED UNANIMOUSLY

Respectfully submitted,

The Honorable Ken Simpler, State Treasurer
Co-Chair for the Deferred Compensation Council

The Honorable Thomas J. Cook, Secretary of Finance
Co-Chair for the Deferred Compensation Council